Belfair Urban Growth Area
Market Analysis

Prepared for

MAKERS Architecture
+ Urban Design

by

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Belfair Market Analysis

SUMMARY

Community stakeholders for the Belfair Urban Growth Area in Mason County have joined with the County to develop a subarea plan for future development of the community. The County hired Makers Architecture and Urban Design to lead the plan, and ECONorthwest for economic and market analyses as sub-contractors to Makers. This report documents our findings for the market analysis.

The area now known as the Belfair Urban Growth Area (UGA) has experienced very low growth in the past decade. Population in the rural areas around the UGA has grown more rapidly. In addition, many of these rural areas support a relatively high proportion of seasonal housing. Many Belfair businesses have depended on seasonal and tourist business for a substantial portion of their revenues. Other businesses serve the population in the surrounding rural areas in Mason County.

Recent changes in land use policies for Mason County suggest that growth will come to Belfair, likely at a much higher rate than has been experienced to date. Housing density restrictions in rural areas (outside of the UGA) suggest upward pressure in demand for denser development that can only occur within designated Urban Growth Areas such as the Belfair UGA.

Infrastructure needs hamper development in the short-run, as is well known by the Belfair planning committee and local stakeholders. Also, market forces appear to limit the expected growth, to some degree, indicating lower growth than suggested by the County (as published in the Request for Proposals for this project).

For planning purposes, we have described population growth rates ranging from 3.0 to 5.0 percent. This range represents substantially higher growth rates than experienced in years past, and makes sense given growth rates for the larger area, including rural and urban areas of Mason County, Pierce County, and Kitsap County.

While we believe the 3 to 5 percent growth scenarios represent the most probable range of outcomes, there are identifiable reasons why growth could be higher. The amount of vacant land within the UGA presents an opportunity for a housing developer to exploit economies of scale: developing a substantial pool of housing stock in the same area helps keep prices down. These dwelling units would compete effectively with existing alternatives, and possibly attract home buyers at a greater rate than current trends suggest. Among potential opportunities, the absence of multifamily housing is most notable and reportedly in strong demand. In the short run, the lack of infrastructure appears to be the primary barrier to multifamily development.
Senior housing is also in strong demand, and Belfair is well suited to accommodate much of that growth. A strong influx of seniors, with the associated development of senior housing, may be an important component of area growth.

We did not find sufficient buildable land data for Mason County to quantify the County’s ability to accommodate demand. However, total net land supply (net of undevelopable land) does not appear to constrain development in or near the Belfair UGA. Buildable land reports in Pierce County and in Kitsap County (broken out by subareas within each County) suggest that the current population forecasts for Mason County are not likely to be substantially bolstered by a lack of supply in either Kitsap County or Pierce County.

Increased demands for retail space will come with the population growth. Growth in the rural areas of Mason County will continue to provide a growing customer base for Belfair businesses. Through our analysis we determined that a net increase from 250,000 to 600,000 square feet of retail space is likely to accompany the population growth expected for the primary retail trade area of the Belfair UGA.

Much of this demand for space will likely occur in existing commercial centers that currently attract Belfair shoppers: Silverdale, Gig Harbor, and other areas. New retail in Belfair attracted by this growth would also benefit from changes in spending habits of existing residents, thereby increasing capture rates for the trade area. This trade-off of leakages of new growth and capturing more market share of existing populations (permanent, seasonal, and tourist) lead us to accept the high end of 600,000 square feet of retail space that might accommodate strong population growth in trade area.

Other commercial land uses have a place in planning for Belfair. Lodging opportunities appear to exist, based on strong intra-regional tourism and limited competition from existing lodging establishments. Regional and national market forces, however, suggest that new lodging development in Western Washington is at least a few years away. Ultimately, however, the availability of desirable vacant land in the UGA combined with very little competition may make lodging a more imminent possibility in Belfair than elsewhere in the region.

Industrial uses appear challenged by large amounts of competing commercial land available nearby in the South Kitsap County Industrial Area. Large, undeveloped parcels are an asset for industrial development in the UGA and may prove attractive for businesses that do not need the apparent accessibility advantages offered in Kitsap County.
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INTRODUCTION

BACKGROUND

Community stakeholders for the Belfair Urban Growth Area in Mason County have come together with the County to develop a subarea plan for future development of the community. The County hired Makers Architecture and Urban Design to lead the plan, and ECONorthwest for economic and market analyses as sub-contractors to Makers. This report documents our findings for the market analysis.¹

The County and project team requested several specific analytical tasks to be considered by ECO, including the following requests:

- Focus on the retail market area, forecasting ranges in market demand and examining the market dynamics of the area
- Identify the larger market area that might be achieved by sound economic redevelopment
- Describe the forces affecting the demand and supply for land in Belfair
- Include an economic profile of the Belfair area (geographically including Mason, Kitsap, and Pierce counties)
- Include an analysis of economic and population forecasts for the area (using existing State forecasts and any County or City forecasts that might exist)
- Identify the comparative advantages of the Belfair area
- Analyze the land use demand based on economic forecasts
- Discuss the supply of vacant and redevelopable land; and
- Identify development opportunities, strengths, and weaknesses of the market area.

METHODS

This report reflects our best ability to make use of information available at the time of this study. We analyzed available information and provide interpretation of the implications of existing information for planning in the Belfair UGA. We relied heavily on published data and forecasts from local, County, State and Federal agencies, including: the

¹ ECO’s scope of work and Maker’s contract with the County refers to an “economic study” and a “market analysis.” Those terms refer to the same body of work contract with ECO. This report is both the economic study and the market analysis.
We supplemented our data analysis with interviews of members of the Belfair Planning Committee and local businesses. We did not have the resources to interview everyone on the planning committee. We did not conduct surveys for new data, but made use of any data provided to us as a result of the interviews.

In addition, many studies have been done in recent years related to projects important to Belfair. Transportation and sewer investment considerations have resulted in several documents with data we found useful in our approach to this study. At the planning committee’s request, we reviewed many documents related to their past work. All of these reports were helpful in our understanding of the issue facing Belfair; not all of the reports included information directly applicable to this study.

We employed state-of-the-practice techniques for market analyses related to land use planning projects. This work does not stand on its own for usage as a market analysis for any particular new business enterprise. Nor is the report sufficient for property appraisal or valuation of real estate related opportunities.

Finally, it is important to understand the theoretical nature of this document and the difficulty in predicting human behavior. Any particular land developer may find opportunities in the market place not shown in this report. In a small area such as the Belfair UGA, one developer or one large employer can choose to locate in Belfair at any point in time and thereby change the economic landscape dramatically. This report is our best interpretation of current conditions and known plans as they relate to Belfair’s long-run development.

ORGANIZATION OF THIS REPORT

The rest of this report is organized into three major sections with subsections as follows:

- Economic profile. This section includes assessments of historic trends and current conditions that affect future scenarios. Subsections include:
  - Population and housing
  - Retail
  - Other commercial land uses

- Land supply. This section presents our summary and interpretation of relevant land supply discussions that would affect planning scenarios for the UGA.
• *Synthesis and conclusions*. This section incorporates supply and demand considerations into descriptions of future scenarios for the Belfair UGA, with the following subsections:
  
  o *Population and housing*
  
  o *Retail*
  
  o *Other commercial land uses*
This section of the report documents the data we examined that reflect existing conditions in Belfair at the time of this study. The data of interest do not conveniently come with summaries for the UGA boundary, which presents a challenge to understanding existing conditions. For example, the boundaries of the geographical units used by the U.S. Census, a primary data source for all planning studies, do not align with the UGA (Figure 1). All of the UGA is within Census Tract 9604.00. Two block groups and several blocks intersect or exist within the UGA.

Figure 1. Belfair UGA and US Census boundaries

To deal with the obstacles of geography, in some instances, the following discussions of socioeconomic conditions relies on auxiliary
sources of data, including Mason County Assessor’s records. In other instances, our assessment of economic conditions will draw on historical trends and forecasts for larger units of geography.

**POPULATION AND HOUSING**

In this section, we discuss the existing data and forecasts regarding population growth in and around the Belfair area. This section does not include a forecast of Belfair population intended for use by the Planning Committee. This section does include, however, information and analysis useful for preparing scenarios of future population, discussed in later sections of this report that follow discussions of land supply.

**CURRENT AND HISTORIC GROWTH**

Discussions with County staff revealed no current estimates of the number of housing units or people living within the Belfair Urban Growth Area. We obtained an extract of the County assessors’ data along with a list of 484 parcel IDs that the County has identified as existing within the UGA. Of those parcels 213 were identified as having a residential structure on the parcel (an additional 81 were identified as having a residential land use designation without a housing unit existing on the parcel). The data suggest 149 single-family houses and 50 parcels with at least one mobile home (Table 1). The residential units also include three duplexes, three quadplexes and two apartment complexes known to have 24 units each.

**Table 1. Housing unit estimates for Belfair UGA and Mason County, 2002**

<table>
<thead>
<tr>
<th>Land Use</th>
<th>Parcel Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single family</td>
<td>149</td>
</tr>
<tr>
<td>Duplex buildings</td>
<td>3</td>
</tr>
<tr>
<td>Quadplex buildings</td>
<td>3</td>
</tr>
<tr>
<td>Apartments (5 or more units)</td>
<td>1</td>
</tr>
<tr>
<td>Mobile homes</td>
<td>50</td>
</tr>
<tr>
<td>Other residential</td>
<td>7</td>
</tr>
<tr>
<td>Vacant residential</td>
<td>81</td>
</tr>
<tr>
<td>Total residential parcels</td>
<td>294</td>
</tr>
<tr>
<td>Commercial</td>
<td>84</td>
</tr>
<tr>
<td>Vacant Commercial</td>
<td>13</td>
</tr>
<tr>
<td>Preservation</td>
<td>34</td>
</tr>
<tr>
<td>PUBLIC</td>
<td>8</td>
</tr>
<tr>
<td>Timber</td>
<td>5</td>
</tr>
<tr>
<td>Unknown</td>
<td>9</td>
</tr>
</tbody>
</table>
Based on the parcel data we estimate approximately 300 housing units to exist in the UGA (including two 24-unit senior housing complexes, and an estimated 70 mobile homes). 2000 Census data show average household size of 2.60 for occupied housing units in census block groups 9604-1 and 9604-2 (see Figure 1 above for geographic reference). With an estimated 5% natural vacancy rate, this would suggest approximately 740 permanent residents of the Belfair UGA. Several variables could make this estimate off by a little bit: there could be more mobile homes than we have estimated; and/or there could be higher or lower vacancy rates and household sizes within Belfair.

This distribution of housing among types is fairly similar to the distribution of housing found throughout Mason County (Table 2). Relatively little multifamily housing exists in Mason County and the total amount declined slightly during the 1990s.

### Table 2. Mason County housing units by type (1990 and 2000)

<table>
<thead>
<tr>
<th></th>
<th>SF/Duplex</th>
<th>MF</th>
<th>MH</th>
<th>Boat/RV/Van</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>15,850</td>
<td>843</td>
<td>5,370</td>
<td>229</td>
<td>22,292</td>
</tr>
<tr>
<td>2000</td>
<td>18,429</td>
<td>823</td>
<td>5,447</td>
<td>816</td>
<td>25,515</td>
</tr>
<tr>
<td>Change</td>
<td>2,579</td>
<td>(20)</td>
<td>77</td>
<td>587</td>
<td>3,223</td>
</tr>
</tbody>
</table>

Source: ECONorthwest analysis of 2000 Census data.

With no market rate multifamily housing in the Belfair UGA, demand for such housing is difficult to ascertain. There are no rental rates or vacancy rates to point to that show the willingness to pay for such housing in Belfair. The senior housing has very strong demand, though the tenants and/or management are subsidized to lower the cost to live there. Waiting lists exists and vacancies fill immediately.

Since the premise of this study is planning for unprecedented growth, just knowing that currently there exist more than 500 and less than 1,000 permanent residents is useful to help understand the implications of future scenarios. Many other housing units near Belfair are used for seasonal residences only. We discuss seasonal housing and the effects on the local economy in subsequent sections of this report.

In addition to understanding conditions within the UGA, much of the long-run growth factors for Belfair call for an understanding of areas around Belfair, such as all of Mason County, Kitsap County, and the portion of Pierce County north of the Tacoma Narrows, referred to as Key Peninsula. Population in this region is concentrated in Bremerton, north of Bremerton in unincorporated portions of Kitsap County, Port Orchard, Poulsbo, and a portion of the City of Bainbridge Island (formerly and still commonly referred to as Winslow) (Figure 2).

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2 U.S. Census 2000 data from the 100 percent count files (SF1) show 1,340 people living in 513 households in block group number 96041, and 654 people living 250 households in block group number 96042 in 2000. In addition, 60 people lived in institutional housing in block group 96041.
Figure 2. Population Densities for Mason and Kitsap Counties and the Key Peninsula Area of Pierce County (2000)

Areas within Bremerton and the Silverdale area (unincorporated portion of Kitsap County) added the most people during the 1990s (Figure 3). Some jurisdictions grew faster than others during the 1990s (Table 3). Gig Harbor grew the most rapidly of any city in Mason or Kitsap County, having grown at 7.2 percent. The City of Bremerton as a whole actually declined in population, though as shown in Figure 2, areas within Bremerton grew.
Figure 3. Population change from 1990 to 2000, by Census tract
Table 3. Population growth for Belfair reference areas, 1990 to 2000

<table>
<thead>
<tr>
<th></th>
<th>Population</th>
<th>Average Annual Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1990</td>
<td>2000</td>
</tr>
<tr>
<td>Mason County</td>
<td>38,341</td>
<td>49,405</td>
</tr>
<tr>
<td>Shelton</td>
<td>7,241</td>
<td>8,442</td>
</tr>
<tr>
<td>Kitsap County</td>
<td>189,731</td>
<td>231,969</td>
</tr>
<tr>
<td>Bremerton</td>
<td>38,142</td>
<td>37,259</td>
</tr>
<tr>
<td>Port Orchard</td>
<td>4,984</td>
<td>7,693</td>
</tr>
<tr>
<td>Poulsbo</td>
<td>4,848</td>
<td>6,813</td>
</tr>
<tr>
<td>Key Peninsula of Pierce County</td>
<td>39,395</td>
<td>54,769</td>
</tr>
<tr>
<td>Gig Harbor</td>
<td>3,236</td>
<td>6,465</td>
</tr>
</tbody>
</table>

The Belfair area grew relatively little in full-time residences during the 1990s, adding less than 100 people overall to the two Census block groups within which Belfair exists (Table 4, Figure 1 above). Just beyond these two block groups in all directions into Mason County, substantially more population growth occurred during the 1990s. Population grew at 3.4 percent per year during this period in those areas, representing rapid growth relative to County-wide growth in Mason and Kitsap counties (2.6 and 2.0 respectively). While this information should not be viewed as predictive of future growth in Belfair, it is useful to understand the difference between expected growth and historic growth in the Belfair UGA.

Table 4. Population growth for Belfair area Census Block Groups, 1990 to 2000

<table>
<thead>
<tr>
<th>2000 Census Block Group ID</th>
<th>Population</th>
<th>Average Annual Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1990</td>
<td>2000</td>
</tr>
<tr>
<td>9604-1</td>
<td>1,380</td>
<td>1,400</td>
</tr>
<tr>
<td>9604-2</td>
<td>588</td>
<td>654</td>
</tr>
<tr>
<td>Total</td>
<td>1,968</td>
<td>2,054</td>
</tr>
<tr>
<td>Tracts and Blocks Groups</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outside UGA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tract 9603</td>
<td>3,794</td>
<td>5,293</td>
</tr>
<tr>
<td>Block Group 9604-3</td>
<td>827</td>
<td>1,126</td>
</tr>
<tr>
<td>Block Group 9605-2</td>
<td>765</td>
<td>897</td>
</tr>
<tr>
<td>Total</td>
<td>5,386</td>
<td>7,316</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau.

Note: Census Tract 9603 includes blocks 9603001 through 9603005.

Home prices achievable in Belfair depend on a range of factors, such as the size of houses developed, desirability of the parcel, views,
accessibility, and of course the price of other houses that the potential buyer would consider. In Mason County, the median home price in 2001 was $113,000. In Kitsap County, the 2001 median home price was $157,000 and increased to $161,000 in 2002.

Multifamily housing price and vacancy trends in Kitsap County show increasing demand for multifamily housing in and near Silverdale and Poulsbo, with lower demand for multifamily housing in Bremerton and Port Orchard. In Poulsbo and Silverdale, rents for 2 bedroom/1 bath apartments are $800 per month. Vacancies for all apartments are very low, at 2.4 percent—which is much lower than Seattle-Everett-Tacoma housing market, where vacancies are in the range of 5-9 percent. In Bremerton and Port Orchard, rents achieved are lower ($650 per month), though vacancies are still very low at 3.0 percent.

In the Key Peninsula of Pierce County, vacancies for apartments are higher at 5.0 percent and rents are $750 per month (2 bed/1 bath), slightly lower than Poulsbo/Silverdale. Elsewhere in Pierce County, vacancies and rents show softer demand.

**EXISTING POPULATION FORECASTS FOR REFERENCE AREAS**

The Washington State Office of Financial Management, Mason County, and the Puget Sound Regional Council have all published forecasts for areas surrounding or near Belfair. In addition, Claritas, Inc., provides population forecasts for zip codes throughout Washington State. ECONorthwest purchased the Claritas forecasts in November 2002 for use in market studies such as this. None of these organizations forecast population for the UGA specifically, but all of their forecasts are useful for understanding the growth potential of the larger area.

OFM forecasts average growth rates ranging from 4.5 to 5.5 percent annually for Mason County in OFM’s high-growth scenario (Figure 4). OFM’s medium- and low-growth scenarios range from 2.0 to 2.9 percent and from 0.3 to 1.2 percent, respectively.
Nearby in Kitsap County, OFM forecasts lower growth rates through 2025 (Figure 5). OFM’s low-growth scenarios show population declines through 2005, rebounding up to a range of 0.8 to 1.1 percent annually from 2005 to 2025. OFM’s medium- and high-growth scenarios of annual growth rates range from 0.4 to 2.8 percent and from 4.0 to 5.1 percent, respectively.
Figure 5. OFM forecasts of Kitsap County population, 2000-2025

Claritas, Inc., produces forecasts of population and other demographics by zip code based on a model which the company updates regularly. The Belfair UGA lies entirely within the 98528 zip code area (Figure 6). Claritas forecasts show 7,907 people living in zip code 98528 in 2002 and forecast 8,368 people living there in 2007, a growth rate of 1.1 percent per year. Forecasts for zip code 98367, adjacent to the Belfair UGA to the East in Kitsap County, show an increase of 1,539 people between 2002 and 2007, an annual average growth rate of 1.3 percent.

Figure 6. Population forecasts by zip code, 2002-2007

![Population forecasts by zip code, 2002-2007](image)

Staff members at Claritas report that counties’ comprehensive plans are inputs for their forecasts. However, we do not specifically know the degree to which Mason County’s comprehensive plan elements are reflected in the forecasts for zip codes in Mason County or Kitsap County.
RETAIL

Like most unincorporated areas, the unincorporated areas of Mason County, including Belfair UGA, provide relatively little retail sales. A pull factor is an analytical tool that describes how much retail activity occurs within a geographic area relative to what we would expect given the area’s population base, and based on another geographical area referred to as a reference area. For this analysis, Washington State is the reference area. A pull factor with a value of 1.0 for an area of interest indicates that retail sales are exactly what one would expect from a population that size. In other words, an area that has a pull factor greater than 1.0 is “importing” expenditures from neighboring population centers, while an area with a pull factor less than 1.0 is “exporting” or “leaking” retail sales to other jurisdictions.

Pull factors are useful for gauging an area’s position as a retail center. Areas like Gig Harbor, which serves as the commercial center for a large rural area can have very high pull factors, while rural areas and smaller towns can sometimes exhibit very low pull factors, reflecting their weaker market position.

Pull factors for various categories of retail activity for all of unincorporated Mason County range from 0.18 to 0.47 (Table 5). Overall, the retail pull factor for unincorporated Mason County is 0.34, which is nearly exactly average is about average for unincorporated areas in Washington State counties (0.31). The pull factor value for unincorporated Mason County was the same in 2001 as in 1995, with slight fluctuations in interim years.

Table 5. Comparison of pull factors by retail category by jurisdiction (2001)

<table>
<thead>
<tr>
<th>Population</th>
<th>Shelton</th>
<th>Mason Uninc</th>
<th>Bremerton</th>
<th>Port Orchard</th>
<th>Poulsbo</th>
<th>Bainbridge</th>
<th>Kitsap Uninc</th>
<th>Gig Harbor</th>
</tr>
</thead>
<tbody>
<tr>
<td>RETAIL TRADE - Total</td>
<td>8.470</td>
<td>41,130</td>
<td>37,260</td>
<td>7,810</td>
<td>6,965</td>
<td>20,740</td>
<td>160,625</td>
<td>6,485</td>
</tr>
<tr>
<td>BUILDING MATERIALS/HARDWARE</td>
<td>2.18</td>
<td>0.34</td>
<td>1.79</td>
<td>3.34</td>
<td>3.56</td>
<td>0.67</td>
<td>0.91</td>
<td>4.46</td>
</tr>
<tr>
<td>GENERAL MERCHANDISE and MISCELLANEOUS</td>
<td>2.92</td>
<td>0.18</td>
<td>0.81</td>
<td>2.16</td>
<td>1.74</td>
<td>0.54</td>
<td>1.32</td>
<td>2.64</td>
</tr>
<tr>
<td>FOOD</td>
<td>2.69</td>
<td>0.47</td>
<td>0.89</td>
<td>4.20</td>
<td>4.57</td>
<td>1.33</td>
<td>0.84</td>
<td>5.55</td>
</tr>
<tr>
<td>AUTO DEALERS/GAS STATIONS</td>
<td>1.42</td>
<td>0.44</td>
<td>3.86</td>
<td>4.56</td>
<td>7.50</td>
<td>0.08</td>
<td>0.30</td>
<td>4.05</td>
</tr>
<tr>
<td>APPAREL/ACCESSORIES</td>
<td>0.41</td>
<td>0.06</td>
<td>0.40</td>
<td>2.26</td>
<td>1.03</td>
<td>0.77</td>
<td>1.51</td>
<td>5.28</td>
</tr>
<tr>
<td>FURNITURE/FURNISHINGS/EQUIPMENT</td>
<td>1.73</td>
<td>0.14</td>
<td>1.87</td>
<td>2.40</td>
<td>1.82</td>
<td>0.93</td>
<td>1.11</td>
<td>2.97</td>
</tr>
<tr>
<td>EATING/DRINKING PLACES</td>
<td>2.53</td>
<td>0.33</td>
<td>1.81</td>
<td>3.98</td>
<td>3.54</td>
<td>0.90</td>
<td>0.75</td>
<td>6.31</td>
</tr>
</tbody>
</table>

Source: ECONorthwest analysis of Washington State Department of Revenue Data

Note: Bold typeface denotes categories for which a jurisdiction’s pull factor is greater than 1.0. Typeface that is both Bold and Red identifies categories for which a jurisdiction’s pull factor exceeds 2.0.

There is nothing surprising in this information. Rural areas do not typically attract a lot of retail. The Belfair UGA typifies the type of retail activity seen in unincorporated UGAs elsewhere in Washington State (e.g., unincorporated UGAs in Whatcom County). Unincorporated UGAs commonly depend on tourist economies, supporting seasonal retail with emphasis on food stores and restaurants. Also, as is the case in Belfair, it is common for such an area’s permanent residents to seek a
substantial portion of retail and service needs in adjacent areas that are more densely developed.

Based on this information, our visits to the area, and our interviews with local stakeholders, we estimated the general trade area boundary that supports services in Belfair (Figure 7). This boundary is an estimate of the residences (permanent or seasonal) of many customers that support Belfair businesses. A smaller percentage of customers come from outlying areas, of which many may make purchases as they drive through Belfair towards distant destinations (such as the Pacific Coast). Estimating this boundary is useful only to understand the growth of a large constituency that will continue to support a portion of Belfair business.

Figure 7. Primary Trade Area for the Belfair UGA
Based on Census 2000 estimates by census block, we estimate that just over 10,000 people permanently live within this area, composing nearly 4,200 households (Table 6). The Census identified an additional 1,500 seasonal housing units in this region, many of which are concentrated along Hood Canal (Figure 8).

Table 6. Primary Trade Area Population and Housing (2000)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>10,046</td>
</tr>
<tr>
<td>Households</td>
<td>4,174</td>
</tr>
<tr>
<td>Additional Seasonal Housing Units</td>
<td>1,549</td>
</tr>
</tbody>
</table>

Figure 8. Counts of Seasonal Housing Units by Census Block Group (2000)
Household incomes in the primary trade area identified above are concentrated heavily in the range of $50,000 to $99,999, based on 1999 incomes reported in the U.S. Census (Figure 9). This distribution is fairly similar to the distribution of all households by income ranges for all of Washington State. However, the Belfair retail trade area has somewhat lower percentage of upper-middle and upper income households; only 30% of the households in the trade area reported income of $60,000 or more, compared with 36% for all of Washington State.

Figure 9. Households by income range in the Belfair Primary Trade Area (1999)

![Bar chart showing household income distribution](chart.png)

Source: ECONorthwest analysis of aggregated 2000 Census block group data.

**OTHER COMMERCIAL LAND USES**

Other commercial land uses include a range of industrial and office uses. Some of these businesses serve the Belfair business community; others serve a population base similar to the retail area; others, still, might serve a broader market extending throughout Washington State and beyond. We found no significant cluster of activity other than the commonality of serving seasonal/tourist populations as a strong part of the customer base.
LAND SUPPLY

As is true of any market, the market for residential and commercial development in the Belfair UGA is ultimately determined by the interaction of demand for such development and supply—the area’s ability to accommodate the pressures of growth. The supply side of the market analysis assesses the ability of the developable land, together with the existing built space, to accommodate the foreseeable demand for residential and commercial development.

On the commercial side, growth in the number of customers and in overall spending eventually either attracts new businesses or induces expansions of existing businesses. Due to the nature of commercial development, this growth rarely occurs in a linear form. At any given moment, some imbalance is likely to exist between the demand for existing commercial space and the amount of built space that exists on the ground. In instances where current capacity is tight, substantial new development may take place in short order. In times when existing businesses have excess capacity (i.e. the capacity to accommodate additional sales), new development is less likely to occur until that excess capacity is absorbed.

While many businesses in Belfair would likely accommodate more customers, the only land use and building type that appears to have noteworthy excess capacity is grocery store space. Three grocery stores in Belfair, including two major chains, vie for a limited and seasonal market. These grocery stores are large enough to cooperatively accommodate substantial growth in the demand for groceries and other products they sell (household supplies, etc.). This excess supply of grocery space is likely a major barrier to new growth in food stores.

The issue of land supply affects planning in the Belfair UGA plan in two ways: 1) the amount and capacity of developable land within the UGA, and 2) the amount and capacity of developable land outside of the UGA. This report discusses how these two factors of land supply affect the demand for land in the UGA. Many factors affect the desirability of the supply of land: infrastructure service, environmental considerations, etc. For long-range planning purposes, net serviceable land supply (the amount of land remaining after removing the quantity of land permanently constrained) is the criterion of interest for the supply analysis. Infrastructure needs and who would pay for such needs is a short-term consideration.

Within the UGA, 123 parcels cover 568 acres of vacant land, according to Mason County as of June 2001. We do not know how much of that land is developable or redvelopable.

Outside of the UGA there are generally two regions of interest: 1) unincorporated areas in Mason County, and 2) Kitsap County and the portion of Pierce County north of the Tacoma Narrows (Key and Gig Peninsulas).
Within Mason County, the County’s comprehensive plan calls for developing the rural areas at lower densities than had been allowed before the Growth Management Act. If the market will not drive development up to those lower densities, then this will be a non-factor. If on the other hand the market would otherwise build at increased densities throughout the areas, then it is reasonable to expect upward pressure on the demand for housing in the urban growth areas.

Outside of Mason County, the critical driver of Belfair growth would be areas nearer to commercial and residential clusters in the central Puget Sound region—particularly in Pierce and Kitsap counties. The central Puget Sound region continues to grow—slower at present than growth experienced in recent years, but continued growth occurs and is forecasted. A potential driver of demand for land in the Belfair UGA is diminishing supply of desirable land in Pierce and Kitsap counties.

Both Pierce and Kitsap counties have completed buildable lands reports in recent years, a requirement of the Growth Management Act. Both reports suggest that residential land will not be constrained to the point that, in and of themselves, these limits would be expected to increase demand for residential land in Mason County.

Both the Pierce and Kitsap counties reports disaggregate land by area, provide density assumptions and regulations, discuss gross and net land (net of undevelopable areas), and provide forecasts of population and housing. Both show ample supply of residential land to accommodate the growth forecasted for their counties.

The media, however, reports dissatisfaction with the counties’ reports among regional developers and builders. A common argument made by builders and developers against County buildable lands studies is that the studies do not adequately take into account market factors. Market factors generally include the desirably of land, which can be very different and more subjective than the other criteria to determine whether a parcel is developable.

The Fall 2002 real estate research report for Kitsap County, *Kitsap County Trends*, supports the County’s conclusions. The report includes editorial review and research report from several public and private organizations, such as the Home Builders Association of Kitsap County and the Kitsap County Association of Realtors. Still, the County Community Development department points out in the report that the buildable lands report is not a market study to determine the desirability of land as it exists.

Commercial land supply in Kitsap County also appears sufficient to accommodate foreseeable commercial growth. The executive summary for *Kitsap County Trends* summarizes land supply trends (both commercial and residential) as follows:

There is substantial land ready for development, including Northwest Corporate Campus near Port Orchard, Day Road Industrial Park on Bainbridge Island, Olympic View Industrial Park and Olympic View Business Park at the Bremerton International Airport, the Olhava
project in Poulsbo, the Twelve Trees project in north Kitsap County, the Olympic Resource Management’s West Hills site in Bremerton, and a number of smaller industrial sites throughout the county, such as the Powder Hill Business Park in Poulsbo.

Among the more notable recent land use actions that will bring even more prime industrial land on the market are:

- Port Blakely’s West Kitsap Lake project’s land use designation has been approved, a public-private agreement is in place, all legal challenges have been overcome, and it has been annexed to the City of Bremerton. It will provide 7,000 jobs and 1,200 homes surrounding a corporate campus. Construction is expected to begin within two years.

- South Kitsap Industrial Area has been recommended for approval by the Kitsap County Planning Commission as an Urban Growth Area adjoining the Bremerton National Airport. It will provide an additional 1,700 acres of flat, well buffered, and highly desirable industrial land within approximately the same time period as the above properties. A master zone overlay will enable industrial development throughout SKIA in a series of business parks served by interlocal agreements regarding needed infrastructure. These lands will augment the existing development opportunities of the Port of Bremerton at the Bremerton International Airport.

The buildable land reports from the counties show ample lands in Kitsap County and Pierce County to accommodate all foreseeable growth in commercial services expected to accompany the population growth.

The reported capacity in the Kitsap and Pierce counties does not lead one to question the existing Mason County population forecasts as a beginning place for population planning in Belfair. The key shortcoming to this approach, which we will not be able to fully address, has to do with market factors and developers’ strengths. We do not, and will not, know enough about the specific locations of all competitive, developable parcels and their market desirability relative to Belfair to be able to predict the precise order in which development will occur.

Regarding accessibility factors having to do with location, the location of Belfair relative to commercial and residential opportunities is similar to many places that currently have capacity to accommodate growth (such as Gig Harbor, Silverdale). The Belfair land on the hill offers marketable views, as does land Kitsap and Pierce counties.

The amount of contiguous vacant land in the other counties is not assessed in the buildable lands report. On that point, Belfair is very competitive. If a developer is looking for economies of scale by developing several hundred housing units at once, or a larger commercial area, Belfair offers that comparative advantage.
Regarding desirability, it is entirely possible that the private plans for Belfair land could result in more desirable development opportunities than those found elsewhere in the region, and thereby attract more growth to Belfair. This underscores the key theme of this study: growth in Belfair will be more heavily influenced by attractive investments within the UGA, than by market pressures from areas of competitive supply driving development into the UGA.

SYNTHESIS AND CONCLUSIONS

Upon review of the above information, several market trends can help inform the planning process for the UGA.

- Belfair is a small community with relatively few residents and commercial services that depend greatly on seasonal demand for their services. A few other businesses exist to serve the year-round population, drawing from much further away than the population living in or very close to Belfair. In other words, it is not the case that Belfair is a bedroom community looking to attract more jobs for a large residential base.

- Increased growth is expected. New development regulations in the rural areas of Mason County and Kitsap County will almost certainly result in increased growth in the Belfair UGA than would be expected without the regulations.

- Land is not scarce. The Kitsap County buildable lands report cites enough capacity in its rural and urban areas to accommodate all of the growth forecasted for Kitsap County. Therefore, changing land use and density policies do not suggest that Mason County and Belfair will receive growth otherwise forecasted for Kitsap County.

Belfair offers desirable amenities for certain land uses:

- For commercial land uses, Belfair offers large areas of undeveloped land, which are attractive for larger developments where economies of scales can be achieved for developers. The South Kitsap Industrial Area also offers these amenities, so for businesses wishing to serve the central Puget Sound region, the SKIA area would be more attractive.

- Businesses wishing to serve the seasonal customers that come to and through Belfair would continue to prefer Belfair to the SKIA area, and with the population growth expected for Belfair and its primary trade area, more commercial services would be expected.

- Opportunities exist to market the views found in Belfair and to develop a larger housing developments on the undeveloped land. Again, the economies of scale that come with such
developments would help developers keep costs down and possibly attract home buyers to the area.

At this point, we lack information necessary to comment on the buildout potential of the Belfair UGA. It does appear, however, that land supply is not a constraint for development inside or outside of the UGA. In the short-term, the constraint on development in the UGA is infrastructure. Sewers and roads are frequently cited as the primary deterrent to development. We recognize this as a short-term barrier (up to four to six years), but we assume infrastructure will keep up with land use demand in the long run.

**POPULATION AND HOUSING**

The future for Belfair will almost certainly differ from the present and past of Belfair. Thus, the growth rates of historic trends and current conditions are useful to inform the process, but are not a basis on which one should forecast growth of any type (residential, commercial, etc.).

The most important factor that challenges growth forecasts for Belfair is the small size of the study area. Forseeable market trends might suggest one future scenario, but a single developer or land transaction has the potential to entirely change future scenarios. That caveat has very strong implications for planning in Belfair.

As discussed above, if we set aside Growth Management Act implications, the forecasted growth rates for Mason County, Kitsap County, and Pierce County do not suggest significantly higher growth for the Belfair area than has been seen in recent years. Interpretations of land capacity data also do not suggest a large shift in development trends towards the Belfair UGA.

However, GMA-related policies and decreased densities allowed in unincorporated Mason County will almost certainly cause developers to look to Belfair for opportunities. The amount of contiguous undeveloped land and allowed higher densities present attractive incentives for developers to provide housing for residents that otherwise might move to rural Mason County. Given these influences, an increase in growth rates and an increase in Belfair’s share of County growth almost certainly is expected in the long run.

In Table 7 below, we present three growth scenarios that represent substantial increases in growth for the Belfair UGA. The three scenarios show the total population and housing units expected between 2000 and 2020 based on average annual growth rates of 3, 4, and 5 percent growth. Also, the implied share of County growth is shown, based on OPM medium forecasts for the County.

**Table 7. Alternative population growth scenarios for Belfair UGA**

<table>
<thead>
<tr>
<th>AAGR*</th>
<th>Population Growth</th>
<th>Housing Units</th>
<th>County Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-2020</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Each of the growth scenarios above suggest substantially higher growth than Belfair has experienced to date, as illustrated in earlier sections of this report. Population growth in the Belfair UGA itself and some adjacent land outside of the boundaries grew by 0.4 to 1.1 percent during the 1990s, a period of very high growth for the Puget Sound region. The Belfair UGA’s share of County growth has been negligible.

Growth rates as high as those shown in Table 7 are plausible given all of the market factors and GMA policies identified above. Growth rates higher than those shown could possibly materialize along with the following events and conditions:

- Infrastructure expansions occur to support new development
- Prices in competitive supply areas exceed the prices at which Belfair developers could sell new development
- Desirable properties in unincorporated Mason, Pierce, and Kitsap counties become in short supply relative to demand, pushing even more demand into the Belfair UGA than assumed in Table 7
- New commercial development and major employers move into Belfair or the South Kitsap Industrial Area providing a new, close-in employment base for Belfair residents, making the area more attractive for permanent residents

All of these conditions may very well occur, depending on developers’ willingness to accept risk in the face of market conditions identified above. We cannot predict the risk tolerance of developers interested in Belfair. Based on that uncertainty, we have limited our range of higher certainty growth scenarios to those identified in Table 7.

Within the range of potential housing types, it is very likely that population growth would support multifamily housing, depending on the costs of development. Costs associated with environmental conditions and infrastructure expansions could challenge developers’ ability to provide multifamily housing at market rates.

Rents achievable for multifamily rental units in new buildings appear to fall within a range of $750 to $900 at today’s rates (for 2 bedroom/1 bathroom units). At those rates, depending on the size and several other factors, a developer would need to build the development at a cost of $65,000 to $80,000 per dwelling unit, excluding land costs. At this cost-threshold, potential multifamily developers will not be in a position to shoulder extra costs associated with infrastructure expansions.
Senior housing will continue to see strong and increasing demand in many rural areas. Should the County plan for accommodating more senior housing, then this demographic could increase the foreseeable population growth scenarios. Strong demand at the existing senior housing complexes is evidence enough that seniors are willing and interested in living in Belfair.

Single-family housing development in Belfair would also benefit from infrastructure expansions. The large amount of undeveloped land in the UGA could also accommodate a larger scale of single-family development. Housing prices in Mason County reflect a lower willingness to pay for single-family houses, and developable properties in or near the Allyn UGA and in unincorporated Mason County will compete with Belfair to serve the existing demand. The success of developing extensive single-family housing will depend on development costs and the ability for other amenities and economic development to come to Belfair.

Given these constraints and opportunities, a reasonable mix of single-family and multifamily units (excluding senior housing) would be 25 to 40 percent multifamily units. If 5 percent growth were to occur, that would mean planning for 150 multifamily units and 300 single-family houses, for example, or something close to those proportions.

RETAIL

The future demand for retail in Belfair and the amount of retail space that accommodates that demand depend on several factors, including:

- Change in population of trade area
- Change in seasonal and tourist activity
- Change in household incomes in the primary trade area
- Change in the spending habits of trade area population.
- Change in the attractiveness of other retail locations.

Our approach to describing planning scenarios for retail space depends heavily on the first criteria. The other criteria will certainly play a role in determining the amount of retail space that develops in Belfair. However, for the retail categories in which Belfair is likely to compete for the foreseeable future, the primary determinant of growth will almost certainly be the growth in population within the area’s primary trade area.

As discussed above, the retail trade area extends far beyond the Belfair UGA boundary, and the permanent residents only determine a portion of total retail activity in Belfair. The potential permanent population of the trade area is, however, a starting point for determining future scenarios of retail activity in Belfair.
Our population studies above suggest that Belfair will grow at a faster rate than Mason County. This suggests that the trade area will also grow at a faster rate. The size of the trade area, however, along with some of the same forces that increase growth within the UGA, will result in a lower percentage growth rate for the larger retail area than within the UGA.

We present two growth scenarios in Table 8 that show slightly higher growth for the primary retail area than has occurred in recent years, and slightly higher growth than the medium forecasts for Mason County. At 2.0 and 4.0 percent annual growth, the retail trade area would grow by 7,000 to 15,000 people between 2000 and 2020.

### Table 8. Primary retail trade area population growth

<table>
<thead>
<tr>
<th>Growth rate scenarios</th>
<th>2000 population</th>
<th>Population scenarios (total population in future year)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10,046</td>
<td></td>
</tr>
<tr>
<td>2.0%</td>
<td>2010 population</td>
<td>12,246</td>
</tr>
<tr>
<td></td>
<td>2020 population</td>
<td>14,928</td>
</tr>
<tr>
<td>4.0%</td>
<td>2010 population</td>
<td>14,871</td>
</tr>
<tr>
<td></td>
<td>2020 population</td>
<td>22,012</td>
</tr>
<tr>
<td></td>
<td>Net increase in population</td>
<td></td>
</tr>
<tr>
<td>2000-2010</td>
<td>2,200</td>
<td>4,825</td>
</tr>
<tr>
<td>2010-2020</td>
<td>4,882</td>
<td>11,966</td>
</tr>
</tbody>
</table>

Source: U.S. Census, OFM

Assuming consumer expenditures per capita consistent with those of all Washington State, the population growth in each of the above scenarios would support a net gain of 248,000 and 607,000 square feet of new retail space, respectively. This is not a forecast of retail space that we expect to come to Belfair. This is the upper bound of retail space that we would expect the new growth in the primary trade area to support—whether that new space is in Belfair, Poulsbo, Gig Harbor or anywhere.

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3 Our estimates of retail floor space are based on the population growth scenarios and the following assumptions:

<table>
<thead>
<tr>
<th>Category</th>
<th>Annual per capita sales</th>
<th>Annual sales per square foot*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail trade</td>
<td>$14,565</td>
<td></td>
</tr>
<tr>
<td>Building materials/hardware</td>
<td>$868</td>
<td>$150</td>
</tr>
<tr>
<td>General merchandise</td>
<td>$1,437</td>
<td>$150</td>
</tr>
<tr>
<td>Food</td>
<td>$2,446</td>
<td>$330</td>
</tr>
<tr>
<td>Auto dealers/gas stations</td>
<td>$3,636</td>
<td>na</td>
</tr>
<tr>
<td>Apparel/accessories</td>
<td>$683</td>
<td>$240</td>
</tr>
<tr>
<td>Furniture/furnishings/equip</td>
<td>$1,359</td>
<td>$200</td>
</tr>
<tr>
<td>Eating/drinking places</td>
<td>$1,188</td>
<td>$280</td>
</tr>
<tr>
<td>Miscellaneous retail stores</td>
<td>$2,948</td>
<td>$210</td>
</tr>
</tbody>
</table>

Source: Washington State Department of Revenue; Urban Land Institute
else people living in this area would shop. In addition to Washington State consumer expenditures, the results come from assumptions of the amount of retails sales per square foot of retail.

The growth in population and retail space shown in Table 8 would result in a total retail capture rate of between 30 and 60 percent for the primary retail trade area, depending on the actual capture rate for the UGA at present.4

Typically, destination-oriented retail uses, including categories like *apparel and accessories* and *furniture, furnishings, and equipment* draw from relatively large market areas. In most instances, competitors in these categories can be found in or near a region’s *centers of gravity*. This translates into locations that are in or adjacent to dense population centers, or into locations that lie on a highly accessible midpoint between two or more population centers.

Given these market behaviors, and given Belfair’s current position as a secondary gateway to rural portions of the region, it is likely that Belfair businesses will be most competitive in more convenience-oriented retail uses: *building materials/hardware*, *eating and drinking places*, *food* and certain smaller-scale components of *general merchandise*.

**Table 9. Supportable net growth in retail floor space by type of retail activity, 2000-2020**

<table>
<thead>
<tr>
<th>Retail floor space</th>
<th>2.0% population growth</th>
<th>4.0% population growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building materials/hardware</td>
<td>28,000</td>
<td>69,000</td>
</tr>
<tr>
<td>General merchandise</td>
<td>47,000</td>
<td>115,000</td>
</tr>
<tr>
<td>Food</td>
<td>36,000</td>
<td>89,000</td>
</tr>
<tr>
<td>Apparel/accessories</td>
<td>14,000</td>
<td>34,000</td>
</tr>
<tr>
<td>Furniture/furnishings/equip</td>
<td>33,000</td>
<td>81,000</td>
</tr>
<tr>
<td>Eating/drinking places</td>
<td>21,000</td>
<td>51,000</td>
</tr>
<tr>
<td>Miscellaneous retail stores</td>
<td>69,000</td>
<td>168,000</td>
</tr>
<tr>
<td><strong>Retail trade total</strong></td>
<td><strong>248,000</strong></td>
<td><strong>607,000</strong></td>
</tr>
</tbody>
</table>


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4 As discussed in the supporting text for Table 5, we do not know the actual capture rate for Belfair—we only know the capture rate for all of unincorporated Mason County (34 percent in 2001). We believe the Belfair capture rate for the primary trade area is probably lower than 34 percent. An existing capture rate of 20 percent in combination with the 2.0 percent growth scenario described in Table 8 would yield a capture rate of 46 percent in 2020. The 4.0 percent growth would result in a 63 percent capture rate by 2020. A current capture rate higher than 20 percent would imply higher capture rates for growth scenarios.
In addition to varying population scenarios, other factors would result in more or less retail space in Belfair, including:

- **Changes in Belfair businesses capture rates of trade area population.** The pull factors above suggest that Belfair captures less than half of the spending of the number of people that live in trade area. Increases in those capture rates would increase the amount of built space supportable by the trade area. Several factors can affect the capture rates themselves, resulting in either upward or downward pressures on capture rates, including two key factors:
  
  o Competitive supply of retail centers in Gig Harbor, Silverdale and other nearby areas (downward pressure)
  
  o Market pioneering within the Belfair UGA, based on the attractiveness factors identified above (upward pressure).

- **Changes in tourist related expenditures.** Changes could come from increased tourism or increased expenditures by tourists. In the short term, some amount of increased tourism seems likely, given a general decline in air travel, which could result in increases in intra-regional tourism. Intra-regional tourism composes most of the Belfair area tourist activity.

**OTHER COMMERCIAL LAND USES**

Population growth in the area will bring with it some amount of personal, consumer and business services to the area. Increases in these activities will result in demand for office space, some additional retail space, and more flexible space to facilitate a range of commercial and light industrial needs. The primary focus of this report, as identified in the scope of work and in the introduction, has been to discuss population, housing, and retail growth. However, given the relationships between land use and transportation planning, it is important to understand the demand for other land uses.

**OFFICE AND COMMERCIAL**

Regarding office space, large office buildings are not likely in Belfair's future. Overall, the region is overbuilt for office space, and new concentrations of office space in this region will need larger economic bases to support large quantities of space.

Belfair will need to plan for small, flexible office spaces, strategically located based on accessibility and support of the community's retail activities. Some amount of mixed-use development or built space that flexibly accommodate either retail or office will be supported by the growing population and commercial services.

Health services will drive demand for much of this space. The growing population and particularly the demand for senior housing will support
medical, dental and other health services offices. Other services will include franchised business and personal services, such as banks, insurance office, dry cleaners, real estate companies, printers and copiers. Some amount of small businesses operated by local residents would be expected as well, including professional offices such as architecture, engineering, etc.

Overall, the net gain in total office space during the planning horizon would be expected in the range of 100,000 to 200,000 s.f., barring unforeseen growth in related activities (hospital expansions, a large industrial employer coming to town, etc.).

**INDUSTRIAL**

Much of the light industrial and other commercial activity in Mason County has been in the form of entrepreneurial activity in rural areas. The Mason County EDC produced an article summarizing much of this activity. The Belfair UGA, with its large amount of undeveloped land and relatively low prices for space and smaller developments, seems well suited to accommodate this type of activity. The new GMA policies adopted by the County call for this activity to occur in the UGAs.

Large-scale operations demanding heavier-industrial needs seem more likely attracted to the very nearby South Kitsap Industrial Area, but over time some amount light industrial activity will find its way to Belfair. With land not likely to be a constraint, it appears that the planning efforts will be best served by simply keeping industrial land in the plan—as opposed to setting a target for a certain amount of land dedicated to industrial/flex-tech activity. Without a clear driver of such activity, it is more important that the planning efforts allow room for industrial activities to occur, than it is to quantify a certain amount of land required for industrial.

**LODGING**

We did not undertake a detailed market analysis for lodging for this project. We have done more rigorous analysis of lodging recently in other areas in Western Washington that provide insights into the lodging market for Belfair.

The Belfair Motel is the only lodging available in the vicinity of Belfair. Motel management reports very high demand, especially during tourist months. The Motel is relatively inexpensive and offers weekly rates for extended stays. The customers are tourists during summers. This year, the Motel has benefited from construction work in the area and extended stays of construction workers.

Developers might find an opportunity for resort style development in Belfair. Large undeveloped parcels lend themselves to hotel and resort development. The relative void of lodging competitors could provide an opening for lodging development in the short term. Also, intra-regional tourism is expected to be very strong in the short term, with national security issues deterring air travel.
This apparent opportunity, however, is dampened by general economic forecasts and hotel data that suggest the next five years will not have a lot of hotel development. A weakening economy, the loss of some corporate jobs, tourism decline from outside of the region, and strong competition from neighboring areas, particularly downtown Seattle, are all working together to put pressure on the market.

For the larger market area that Belfair is in, overnight rooms are probably in oversupply. Occupancy rates in the Seattle area have dropped markedly in the last two years. In addition, the Puget Sound region, has been a beneficiary of air travel which has declined with national security concerns. Resorts that rely on tourism from outside of the region may continue to experience depressed demand. The recent closing of Alderbrook Resort may be indicative of challenges faced by resorts in the region.

Significant new lodging development in the region (beyond what is now in the pipeline) may be as far as six to eight years off. The exact timing depends on the completion percentage of a number of projects under consideration in the region right now. Beyond that period, regional hotel demand will return. In the meantime, Belfair appears to offer opportunities for niche resorts that cater to intra-regional tourism.